



Monthly Economic Update

November 2003



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** Based on the latest set of monthly indicators, the national economy continues to heat up. Industrial production increased 0.9% in November, the largest increase since October 1999, and capacity utilization rose to over 75%, the highest level in over a year. Construction of new homes rose 4.5% in November to an annual rate of over 2 million units, the highest level in nearly 20 years. The Federal Reserve continues to keep the target interest rate on federal funds at 1.0% “for a considerable period”, suggesting that rates may remain at their low levels through the first half of 2004. Retail sales were up 0.9% in November over October and 6.9% over November 2002. Employment, which remained lackluster until 3 months ago, is expected to improve significantly during the first quarter of next year. According to the Manpower Employment Outlook Survey, more employers intend to add jobs. Because of such positive news, the economy is expected to grow 4.0% during the fourth quarter, and according to the Blue Chip forecast, a year-over-year growth of 4.4% in 2004.

➤ **Real Estate.** Housing sales in Montgomery County remained strong. Coupled with low mortgage interest rates and an expanding economy, sales in the County increased 10.9% in November compared to November 2002, and 6.7% year-to-date. The average price continued its upward trend increasing 14.7% in November to slightly over \$365,000 compared to last year. With increases in the average price and sales figures, approximately \$450 million in home sales occurred in the County in November 2003 compared to \$355 million in November 2002, an increase of 26.8%.

➤ **Construction.** Non-residential construction in the County continued to adjust to the overcapacity in commercial real estate. The number of permits declined 21.4% in November compared to November 2002 and is down 2.9% year-to-date. A recent article (12/1/03) in *The Washington Post* on office vacancies suggested that the County’s commercial real estate market remained steady with its vacancy rate down slightly from last year. With only a slight decline in the vacancy rate, it remains unlikely that non-residential construction activity will pick up in the near term.

➤ **Retail Sales.** Retail sales, as measured by sales tax receipts, increased 9.0% in October compared to October 2002. This is the largest year-over-year increase since January 2001 (+16.9%). Sales of durable goods (+13.2%) outpaced sales of nondurable goods (+7.4%) attributed to purchases of building supplies (+24.0%), hardware equipment (+11.5%), and automotive products (+7.8%).

➤ **Employment.** The employment situation in the County continued to improve during 2003. The unemployment rate declined to 2.3%, the lowest rate in almost a year. Two measures of employment, either the household or establishment survey, indicate significant improvement in the County. Resident employment, as measured by the survey of households, increased 1.0% over the past year. Payroll employment, as measured by the survey of establishments, increased 0.7% from June 2002 to June 2003, the latest date for which data are available. During the first half of 2003, the private sector created almost 500 jobs compared to the first half of 2002. This is the largest gain in private sector jobs since 2000.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2003	2002	2002
Leading Indicators						
National	Nov	0.3%		0.8%		-0.2%
Washington MSA	Sept	-1.3%		0.4%		-0.6%
Coincident Indicators						
National	Nov	0.2%		0.5%		0.7%
Washington MSA	Sept	-1.9%		-4.8%		-0.7%
Consumer Confidence Index						
National	Nov	12.2%		-20.1%		-14.7%
South Atlantic Region	Nov	3.3%		-16.9%		-9.6%
Consumer Sentiment (University of Michigan)	Dec	-4.4%		-2.5%		-2.4%
Consumer Price Index						
All Items (nsa)						
National	Nov	1.8%		2.3%		1.6%
Washington - Baltimore CMSA	Nov	2.4%		2.9%		2.4%
Core CPI (nsa)						
National	Nov	1.1%		1.5%		2.4%
Washington - Baltimore CMSA	Nov	1.8%		2.4%		2.9%
Retail Trade						
National (sales - nsa)	Nov	4.5%		5.4%		3.1%
Washington MSA (sales - nsa)	Sept	8.8%		5.8%		3.0%
Maryland (sales tax)	Oct	10.6%		2.9%		1.6%
Montgomery County (sales tax)	Oct	9.0%		3.8%		0.9%
Employment						
National (household data - nsa)	Nov	138,700,000	136,684,000	137,661,000	136,474,000	136,485,000
- Percent Change		1.5%		0.9%		-0.3%
Washington PMSA (household data - nsa)	Oct	2,777,681	2,723,230	2,762,077	2,720,118	2,719,777
- Percent Change		2.0%		1.5%		3.7%
Montgomery County (resident)	Oct	499,007	493,990	494,996	489,247	489,673
- Percent Change		1.0%		1.2%		2.5%
Montgomery County (payroll)	June	457,053	453,996	447,891	446,758	449,195
- Percent Change		0.7%		0.3%		0.7%
Unemployment						
National (nsa)	Nov	5.6%	5.6%	6.0%	5.8%	5.8%
Maryland (nsa)	Nov	4.1%	4.2%	4.3%	4.4%	4.4%
Washington PMSA	Oct	3.1%	3.5%	3.5%	3.7%	3.7%
Montgomery County	Oct	2.3%	2.7%	2.6%	2.8%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Oct	\$97,955	\$112,248	\$801,995	\$1,360,748	\$1,595,801
- Percent Change		-12.7%		-41.1%		9.5%
Residential (\$ thousand)	Oct	\$87,733	\$90,818	\$486,196	\$642,382	\$744,066
- Percent Change		-3.4%		-24.3%		-4.2%
Non-Residential (\$ thousand)	Oct	\$10,222	\$21,430	\$315,799	\$718,366	\$851,735
- Percent Change		-52.3%		-56.0%		25.0%
Building Permits (Residential)						
National	Oct	179,449	159,493	1,585,868	1,467,811	1,747,678
- Percent Change		12.5%		8.0%		6.8%
Maryland	Oct	2,413	2,360	25,658	24,189	29,293
- Percent Change		2.2%		6.1%		0.8%
Montgomery County	Oct	209	429	4,152	3,644	5,013
- Percent Change		-51.3%		13.9%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	Nov	114	145	1,684	1,735	1,858
- Percent Change		-21.4%		-2.9%		-11.6%
Real Estate						
National						
Sales	Oct	6,350,000	5,630,000	6,070,000	5,550,000	5,566,000
- Percent Change		12.8%		9.4%		5.1%
Median Price	Oct	\$172,400	\$159,300	\$169,200	\$156,800	\$158,100
- Percent Change		8.2%		7.9%		7.0%
Montgomery County						
Sales	Nov	1,234	1,115	14,958	14,023	16,030
- Percent Change		10.7%		6.7%		3.1%
Average Price	Nov	\$365,252	\$318,518	\$358,350	\$315,525	\$320,418
- Percent Change		14.7%		13.6%		16.5%
Median Price	Nov	\$290,000	\$260,000	\$289,073	\$249,268	\$255,275
- Percent Change		11.5%		16.0%		18.7%
Average Days on the Market	Nov	29	28	28	26	25